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Commission for the Blind and Visually Impaired

Management Report on Internal Control

Issued: October 4, 2004
Fiscal Year: 2001, 2002, and 2003



EXECUTIVE SUMMARY LEGISLATIVE AUDITS

COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

PURPOSE AND SCOPE. In planning and making our audit of the statewide basic financial statements, we performed certain audit procedures to evaluate the effectiveness of the Commission for the Blind and Visually Impaired's internal control design and operation. Consequently, the limited scope of our procedures does not allow us to give an opinion on the Commission's internal control system. Accordingly, we do not express an opinion or ensure that all instances of internal control weaknesses were disclosed.

Our purpose was to indicate where internal controls could be strengthened to help ensure accurate financial statements and data. This evaluation, together with other evaluations and various audit procedures applied at other agencies, allows us to express an opinion on the statewide basic financial statements prepared by the State Controller's Office.

CONCLUSION. The two findings and recommendations noted as a result of applying the audit procedures referred to above, if addressed, would improve and strengthen the Commission's internal control structure and operating efficiency. These matters are discussed in the findings and recommendations section of this report.

FINDINGS AND RECOMMENDATIONS. The two findings and recommendations related to this report are summarized below.

Finding #1. The Commission needs to improve controls to ensure that all potential Social Security Administration reimbursement claims are identified and properly calculated. The Social Security Administration (SSA) reimburses entities for the cost of rehabilitating clients who become employed for at least 9 months within a 12-month period. The Commission receives SSA reimbursements of more than \$100,000 a year (averaging \$32,000 per client). Currently, the Commission has no written procedure and relies solely on its counselors to identify clients who become employed. Although the counselors have identified some clients, reviewing its practices and developing sound procedures may help identify additional clients who have met the employment requirement. This will result in additional reimbursement claims and increased revenue for the State. Also, all reimbursement claims in fiscal year 2003 were adjusted by the SSA without any follow-up by the Commission to determine why.

We recommend that the Commission review current practices and SSA regulations, explore additional avenues to identify and verify client employment, and develop written procedures and policies. The written procedures and policies should include, but not be limited to, the following:

1. Monitoring clients who successfully complete rehabilitation.
2. Determining an appropriate length of time to monitor clients.
3. Reviewing each reimbursement claim for accuracy.
4. Following up to determine why the SSA adjusts reimbursement claims.
5. Ensuring compliance with the written policies and procedures.

Finding #2. Accounting controls for the Commission's aids and appliances inventory are inadequate. The Commission maintains an inventory of aids and appliances, valued at about \$70,000, that is sold primarily to its clients. Annual sales, which include a 20% mark up, are approximately \$68,000. As explained below, controls need to be improved.

1. One employee purchases and receives inventory and records all inventory transactions, including inventory adjustments and write-offs; no other employee reviews the work.
2. No employee verifies that items paid for were actually received by the Commission.
3. Many Commission staff members have access to the inventory, increasing the likelihood of items being added and removed without proper accounting.
4. The inventory may be too large and is not reviewed for turnover or usage.

We recommend that the Commission determine the need for such an inventory or for such a large inventory. **We also recommend** that the Commission segregate duties, approve adjustments and write-offs, ensure that items paid for were received, restrict access, review turnover rates, and adjust inventory levels as necessary.

PRIOR FINDINGS AND RECOMMENDATIONS. There were three findings and recommendations in the prior report. As discussed below, the recommendations were implemented and all three prior findings and recommendations are considered closed.

Prior Finding #1. The Foundation activities presented a conflict of interest for State employees. In fiscal year 2001, the Commission established a charitable foundation for the purpose of further enhancing programs for the benefit of the blind and visually impaired. The Foundation's officers were State employees and board members of the Commission. The Commission had not obtained written approval from the Governor to allow staff members of the Commission to be Foundation officers, as required by Idaho Code, Section 67-2502. The approval had not been obtained. As recommended, the Commission requested and received written approval from the Governor prior to continuing Foundation activities. **Status: CLOSED.**

Prior Finding #2. The Commission did not have a written contract for its Low Vision Clinic. The Commission pays a physician to operate a low vision clinic. A signed written contract was not obtained for these services. We recommended that the Commission obtain a written contract for the Low Vision Clinic and for any future professional services. Obtaining written contracts is a good business practice that protects both parties, reduces the risk of liability, and helps ensure that the Commission receives expected services. The Commission completed a contract with the Low Vision Clinic physician. **Status: CLOSED.**

Prior Finding #3. The Commission did not require supervisors to approve and sign all time sheets prior to processing payroll. Time sheets were processed prior to review and approval of supervisors, which could have led to incorrect time reporting. We recommended that supervisors approve all time sheets prior to processing. The Commission now requires a supervisor's signature on all time sheets prior to payroll being processed. **Status: CLOSED.**

AGENCY RESPONSE. The Commission has reviewed the report and is in general agreement with its contents.

FINANCIAL SUMMARY. Although an opinion is not given on the financial data presented in this report, one is given on all State funds in the statewide *Comprehensive Annual Financial Report* that includes the financial data presented here.

COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED – FINANCIAL SUMMARY

FISCAL YEAR 2001

	General Fund 0001	Business Enterprise Fund 0210	Rehabilitation Revenue and Refunds Fund 0288	Federal (Grant) Fund 0348	Miscellaneous Revenue Fund 0349	Adaptive Aids and Appliances Fund 0426	TOTAL ALL FUNDS
Beginning Free Cash							
Balance/Appropriation	\$1,342,000	\$27,844	\$0	\$146,935	\$28,045	\$16,849	\$1,561,673
Beginning Encumbrances	37,871	30,169	0	1,576	0	0	69,616
Receipts	793	79,497	118,086	1,880,691	8,500	41,141	2,128,708
Total Available	\$1,380,664	\$137,510	\$118,086	\$2,029,202	\$36,545	\$57,990	\$3,759,997
Disbursements:							
Personnel Costs	\$643,966	\$0	\$32,199	\$1,062,509	\$0	\$0	\$1,738,674
Operating Expenses	186,071	14,896	2,014	421,297	1,299	49,651	675,228
Capital Outlay	24,701	0	22,100	27,233	9,000	0	83,034
Payment As Agent	441,159	101,034	0	275,904	0	0	818,097
Total Expenditures	\$1,295,897	\$115,930	\$56,313	\$1,786,943	\$10,299	\$49,651	\$3,315,033
Ending Cash/Appropriation Balance	\$84,767	\$21,580	\$61,773	\$242,259	\$26,246	\$8,339	\$444,964
Ending Encumbrances	83,671	0	0	145,217	0	0	228,888
Ending Cash Balance/ Appropriation Reversion	\$1,096	\$21,580	\$61,773	\$97,042	\$26,246	\$8,339	\$216,076

FISCAL YEAR 2002

	General Fund 0001	Business Enterprise Fund 0210	Rehabilitation Revenue and Refunds Fund 0288	Federal (Grant) Fund 0348	Miscellaneous Revenue Fund 0349	Adaptive Aids and Appliances Fund 0426	TOTAL ALL FUNDS
Beginning Free Cash							
Balance/Appropriation	\$1,616,400	\$21,580	\$61,773	\$97,042	\$26,246	\$8,339	\$1,831,380
Beginning Encumbrances	83,671	0	0	145,217	0	0	228,888
Receipts	0	75,127	79,591	2,041,615	8,980	40,919	2,246,232
Total Available	\$1,700,071	\$96,707	\$141,364	\$2,283,874	\$35,226	\$49,258	\$4,306,500
Disbursements:							
Personnel Costs	\$620,377	\$0	\$41,424	\$1,191,760	\$0	\$0	\$1,853,561
Operating Expenses	131,960	7,190	30,215	424,649	1,038	34,626	629,678
Capital Outlay	111,422	0	0	45,532	0	0	156,954
Payment As Agent	584,282	51,735	0	257,032	0	0	893,049
Total Expenditures	\$1,448,041	\$58,925	\$71,639	\$1,918,973	\$1,038	\$34,626	\$3,533,242
Ending Cash/Appropriation Balance	\$252,030	\$37,782	\$69,725	\$364,901	\$34,188	\$14,632	\$773,258
Ending Encumbrances	88,947	0	0	13,560	0	0	102,507
Ending Cash Balance/ Appropriation Reversion	\$163,083	\$37,782	\$69,725	\$351,341	\$34,188	\$14,632	\$670,751

FISCAL YEAR 2003

	General Fund 0001	Business Enterprise Fund 0210	Rehabilitation Revenue and Refunds Fund 0288	Federal (Grant) Fund 0348	Miscellaneous Revenue Fund 0349	Adaptive Aids and Appliances Fund 0426	TOTAL ALL FUNDS
Beginning Free Cash							
Balance/Appropriation	\$1,288,178	\$37,782	\$69,725	\$351,341	\$34,188	\$14,632	\$1,795,846
Beginning Encumbrances	88,947	0	0	13,560	0	0	102,507
Receipts	0	67,121	123,994	1,954,719	4,503	48,382	2,198,719
Total Available	\$1,377,125	\$104,903	\$193,719	\$2,319,620	\$38,691	\$63,014	\$4,097,072
Disbursements:							
Personnel Costs	\$572,464	\$0	\$0	\$1,239,858	\$0	\$0	\$1,812,322
Operating Expenses	101,455	0	32,383	353,599	287	42,141	529,865
Capital Outlay	0	0	9,898	15,224	378	0	25,500
Payment as Agent	536,259	28,864	0	223,646	0	0	788,769
Total Expenditures	\$1,210,178	\$28,864	\$42,281	\$1,832,327	\$665	\$42,141	\$3,156,456
Ending Cash/Appropriation Balance	\$166,947	\$76,039	\$151,438	\$487,293	\$38,026	\$20,873	\$940,616
Ending Encumbrances	96,100	0	0	0	0	0	96,100
Ending Cash Balance/ Appropriation Reversion	\$70,847	\$76,039	\$151,438	\$487,293	\$38,026	\$20,873	\$844,516

FUND DESCRIPTIONS

General Fund (0001) – This fund receives appropriations from the State's General Fund and is used for State-only services (sight restoration), for providing matching funds for federal grants, and for administrative costs.

Business Enterprise Programs (0210) – This fund receives income-based payments from vendors who are blind and have vending and cafeteria operations. The fund pays personnel costs for Commission staff and other miscellaneous expenses, such as vending machine repairs.

Rehabilitation Revenue and Refunds (0288) – This fund receives payments from the U.S. Social Security Administration. These payments reimburse the Commission for its costs to rehabilitate Social Security recipients who remain gainfully employed for a stipulated period of time. The Commission uses these funds to contribute to its programs, primarily the Basic Support and Independent Living programs.

Federal Grant (0348) – This fund receives federal grant money to serve adults who are blind or visually impaired.

Miscellaneous Revenue (0349) – This fund receives miscellaneous receipts for photocopying, client cost-sharing, and donations. Disbursements from this fund enhance Commission programs, such as the volunteer program.

Adaptive Aids and Appliances (0426) – Receipts to this fund are from the sale of low-vision aids and appliances to clients of the Commission and the general public. The funds replenish the aids and appliances inventory.

OTHER ISSUES. In addition to the findings and recommendations, we discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of the Idaho Commission for the Blind and Visually Impaired and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation and assistance given us by the Commission administrator, Angela Roan, and her staff.

QUESTIONS CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:

Ray Ineck, CGFM, Supervisor, Legislative Audits
Thomas Haddock, CPA, CGFM, Managing Auditor

Report IC18903

For a copy of the entire audit report, contact Legislative Services Office, Audit Division, State Capitol Building, 700 W. Jefferson Street, P.O. Box 83720, Boise, Idaho 83720-0054, or call 208-334-3540.
